

The Global Business Environment

Environmental Analysis of Automobile Industry



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Executive Summary

Every business venture must manage its business activities properly. For a popular company, it is essential to follow a proper strategy that tends to develop their business gradually. In this report, an entire discussion has been done on the global business environment of Mercedes-Benz. Evaluation has been done on their internal and external challenges and for the same, SWOT and PESTLE framework has been used. To analyses, their core values on sustainability and competitive advantage, porter's five forces and value chain framework has been used. Based on the overall discussion, a conclusion has been drawn in the end.

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Introduction

In this report where Mercedes Benz has been taken into consideration, a critical analysis of the company's business management is going to be elaborated. Strength, Weakness, Opportunities, and Threats will also be included in the analysis. The external factors that can affect a company's management such as Political, Economic, Social, Technological, Legal, and Environmental will be discussed. The value chain of Mercedes Benz will also be discussed.

This German-originated multinational car manufacturing company has 35 production houses across four different continents. It has been listed as one of the successful luxurious car manufacturers in the world. Along with almost 170,000 employees across the world Mercedes Benz is expanding its network to meet the electrical operation of vehicles (Mercedes-Benz, 2021).

SWOT analysis of Mercedes Benz

<i>Strengths</i>	<i>Weaknesses</i>
• Brand Value- Such as BMW and Audi, Mercedes also is a well-known car manufacturing company. • Sponsorship- Mercedes, in order to capture the market, sponsors different sports clubs and the New York Fashion Week. • Innovation- Innovation is the game-changer that helped Mercedes in exaggeration. In 2013 the company launched a ‘pre-safe’ feature in every vehicle, in order to maintain customers’ safety (Mercedes-Benz, 2021).	• Maintenance cost- Maintenance cost plays a crucial role in the sale of a product (OSV, 2021). Compared to the other competitors of the market, the service and maintenance cost of Mercedes Benz is too high. • Business Network- Expanding the business is crucial for the exaggeration of a company. Where the company could expand its business via launching products quite frequently. Mercedes has seen launching its products very exclusively which resists the fast growth.
<i>Opportunities</i>	<i>Threats</i>
• Concerning the future of cars, Mercedes Benz can increase its efforts in manufacturing hybrid cars. • Manufacturing fuel-efficient cars are as well effective in exaggerating the future. • Capturing the markets of emerging countries around the world is also effective. • In this luxurious world customers’ demands have been upgraded towards	• Government policies are being amended in the automobile industry which can also affect. • Global price hikes in fuel can divert the mind of people regarding buying their vehicle or using public transport (Naqvi, 2020). • Crucial competitors are there in the market which can resist the exaggeration of Mercedes Benz.

more luxurious cars. Mercedes can have the advantage of these people's demands and serve their customers fulfilling their demands.	
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Table 1: SWOT analysis

(Source: Created by Learner)

PESTLE analysis of Mercedes Benz in the UK

<i>Factors</i>	<i>Influences</i>
Political	• The UK has less violence regarding politics than other developing countries. Despite that, the UK's tax laws on car manufacturers are quite complicated. Taxes on engine import are a major issue for Mercedes Benz. • Currently, the VAT charged on vehicle parts import in the UK is about 19% of the product's total price. (CUSTOMS & EXCISE DEPARTMENT, 2021) Mercedes imports its engines from Germany which is a European country. This is a negative point regarding the profit of the company.
Economic	• The UK is one of the most affected countries by corona virus. Economic deterioration has been drastic for every organization in the UK. Despite being a German brand Mercedes Benz organizes its business mainly in the UK. • The whole UK's car export has been deducted by almost 2.67% in the year 2020 compared to 2019. (Wilson, 2020) In a survey, it has been recorded that almost 55% of Mercedes Benz's business has been reduced. From January 2020 to July 2020, Mercedes sold only 39,062 units which are too little than the previous year.
Social	• The UK has more than 67 million people. Most of the people belong to the higher income group. (Worldometer, 2021). • In a survey, it has been seen that almost 378 thousand people in the UK are owners of at least one luxury car of Mercedes Benz. (Statista, 2021) This higher income group influenced the demand for luxurious cars in the UK. The

	people of the UK hold a large amount of demand for cars as the society in the UK is financially higher compared to the other countries.
Technological	• The UK has been ranked 4th in the world regarding technological advancements. Mercedes Benz in their cars provides a wide range of technical features, which makes their cars premium. • Technological advancement along with positivity brings challenges for the company as well. Providing technically advanced features to meet the demand of the customers is quite challenging for the company.
Environmental	• Concerning the environment, Mercedes Benz already started providing electric motors in their cars. Keeping in mind the Global Price Hike of petrol and diesel, the company is shifting to manufacture more cars that have electric motors.
Legal	• Every auto vehicle manufacturer needs to follow the rules and regulations of the UK government. Mercedes Benz also abides by the rules of the government properly which causes fewer legal issues.

Table 2: PESTLE Analysis

(Source: Created by Learner)

Porter's five forces of Mercedes Benz

Existing rivalry: The UK is considered the world's most competitive business market. BMW, Audi, Ford, Volkswagen already captured a massive amount of the UK's auto vehicle market (Zoominfo, 2021). With these big companies as competitors, Mercedes has a great opportunity to excel in the market as well as they have crucial challenges. Providing unique innovative features in the cars can help in exaggerating, whereas backdated designs and features can deteriorate the situation.

Threats of new entrants: New entrants such as Kia, MG are a great threat to Mercedes Benz. As Kia provides the same features as Mercedes at a low price of their products, customers can shift their choice. MG, which generally manufactures SUVs, has lots of features compared to the SUVs of Mercedes Benz, which is a great threat to the company in terms of customer deduction of customers.

Threats of Substitutes: In the UK's market, there are many substitutes for Mercedes Benz. Brand value is the key factor that still helps Mercedes in retaining its third position in the UK's car manufacturers. Mercedes has a weakness in this regard as other companies are providing the same features at a low price.

Bargaining power of suppliers: In the auto vehicle business bargaining is not considered a great threat. But the suppliers of car parts can bargain while the demand is high (Kalverkamp, 2017). To balance the supply of cars to the customers, Mercedes needs to buy parts from their suppliers, who can bargain with the prices. This can be a minor weakness for Mercedes.

Bargaining power of Buyers: Being at the third position in the UK's car manufacturers, Mercedes set their product's prices at a bit high. If the majority of buyers complain about the price of any specific product, the company concerns with the matter concerning the profit of both company and customers.

Value Chain Analysis of Mercedes Benz

Primary Activities

Inbound logistics: For this purpose, the suppliers supply the goods of the company and it is stored when all these are needed in the production. These goods move all around the company and the company receives their goods from all over the world (Wang *et al.*, 2021). Mercedes have good relationships with their suppliers to maintain a good quality supply of raw materials. Mercedes has a unique style to handle the raw materials, it is called just in time (JIT).

Operations: Here raw materials are assembled. To make new engines and new cars, many operations occur in the organization. There are many steps in this stage to make the vehicle ready to sell. Well-organized companies have many manufacturing and operations units all over the world. It helps to reduce the maintenance cost of manufacturing and shipping costs to the local markets. For their powerful and innovative operations, Mercedes Benz is well known in the world.

Outbound Logistics: Here the products are ready for supply to the supply chain, retailers, customers, and wholesalers. Mercedes Benz has many showrooms in different countries and they make easily manageable products for their customers. These showrooms are operated through their franchisees.

Marketing and sales: Marketing and sales strategy is a process of introducing new products to customers and fulfilling their needs (Eicken, 2018). Mercedes's goal is to communicate and promote their targeted customers with extraordinary motors. By proper market planning, Mercedes Benz develops their resources and eliminate its internal threats. This process includes advertising, customer service, distribution, promotion, and management. Their marketing department has the goal to increase their sales and profit. In this field of competition, Mercedes spend a lot more money on advertising through their online portals and other sites.

Service: Sales services of Mercedes Benz play an important role to earn customer satisfaction (Mercedes-Benz, 2021). This company includes many things in services like customer support, checking, and after-sales services. To maintain brand reputation, their support activities are efficient and on time. After selling the product, this company

provides continuous support to their customers for maintenance purposes. Service activities enhance the customer holding capacity.

Support activities

Procurement: This is the vital process of material purchasing and giving good service. This process helps to purchase high-quality materials at a low price (Bienhaus and Haddud, 2018). It helps to ensure the procurement process of raw samples from their suppliers. Mercedes Benz hires many other organizations to handle their operations and sales services to fulfil the targeted procurement process. They are successful in making secure and efficient products for their customers.

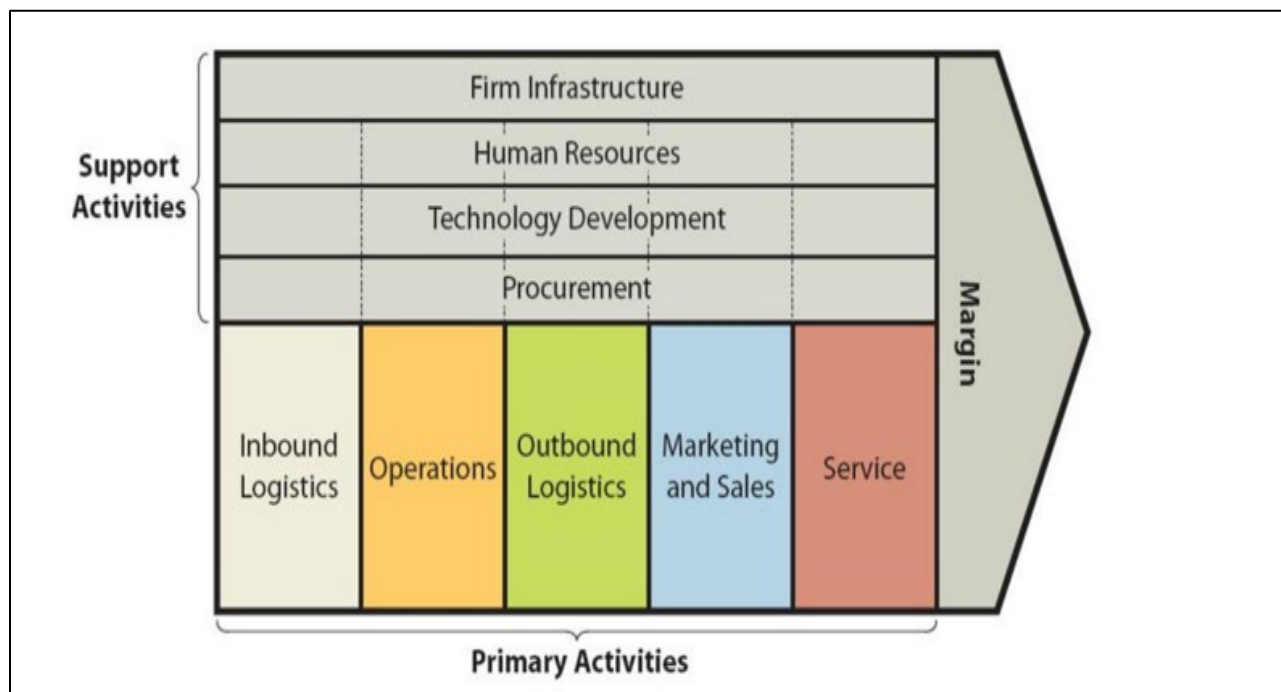


Figure 1: Value Chain Analysis

(Source: BUSINESS RESEARCH METHODOLOGY, 2021)

Technology development: This process is very crucial to manage the activities of a company's information and protect them from competitors. Staying updated with technologies, companies need to reduce these costs and stay strong with competitors. Mercedes Benz has many technological developments in production, customer service, e-marketing, and management. This company focuses on passenger security, vehicle safety, control systems, and others that are developed by modern technology.

Human resource management: Apart from all these topics, a company has nothing without the highly skilled HRM team to produce extraordinary products. For all automobile companies, it is very important to select a highly professional HRM team. Well managed team and supportive employees are the most helpful things to achieve success in this market (Boon *et al.*, 2019). For this reason, they focus on recruitment, selection, training, and compensation for the employees. Mercedes Benz hires employees and designers through all these parts and this is the key behind their HRM team. The employees of Mercedes are known as 'Human Capital and the company's HRM team provides prizes to their employees for their dedication and hard work towards their job.

Firm Infrastructure: It has a vital role in business development. This includes many resources like company management, strategy, structure, finance, culture, and many more. To create more profit, an organization has to plan well-maintained infrastructure. Mercedes has a modern infrastructure to develop planning and control over every department.

Conclusion

It can be concluded from this entire assignment that there are many marketing challenges faced by the companies for their competition to stay in the position. But some key factors help them to create new ideas and patience with the customers. Mercedes has been staying in the market of the automobile industry for many years for their innovation and strategies towards customer service. They have gained customer loyalty and fulfilled their demand with safety protocols. Some criticism always occurs for a well-known company that helps them to improve their reputation and difficulties. Through all these strategies, Mercedes Benz can achieve enormous success in the future.

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